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The Right Flier Newsletter

American Association of University Professors

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# The Right Flier

Newsletter of the WSU-AAUP

Volume 3, Number 4, April 2003

## RETIREMENT AND CHANGES IN HEALTH CARE COSTS

### A CALL FOR ACTION

By Paulette Olson\*

By now you have probably heard that the Ohio State Teachers Retirement Board (STRS) has proposed major changes in health benefits for retirees. If these changes are approved, the portion of health insurance paid by STRS will decline.

Currently, STRS pays 2.9 percent times the number of years of service in the Ohio system. If the proposal is approved, this will drop to 1.6 percent, effective January 1, 2004. This means that retirees with 30 years service in the Ohio system will have to pay 52 percent of the cost of health insurance as compared to the 13 percent which they pay now.

Moreover, 100 percent of the premium cost will be paid by:  
retirees with at least 5 years, but less than 15 years of service (and their spouses)  
retirees and spouses until age 60  
spouses and dependents

If the new proposal is approved, STRS estimates the following rise in health care costs for the average retiree under the age of 65 and with 30 years of service.

Year	Cost Per Month
2003	\$66
2006	\$211
2008	\$306

\*Figures and information from the *Ohio Academe*, February, 2003.

### WHAT CAN WE DO?

VOTE FOR ROBERT BROWN  
MATH – OHIO STATE UNIVERSITY

It is time to elect Board members who will represent the interests of faculty in higher education.

**VOTE AND MAKE A DIFFERENCE.**

### SPRING CHAPTER MEETING

FRIDAY, MAY 16, 1-3:00 P.M.  
146 RUSS ENGINEERING

**Mail To:**

### PRESENTATION TO STRS BY THE HEALTH CARE ADVOCATES FOR STRS ON MARCH 20, 2003

The primary goal of the Health Care Advocates for STRS is to help preserve affordable health care for Ohio's retired educators, both now and in the future.

Based on STRS projections it is estimated that retiree health care will cost \$597 million in 2004. Assuming employer and retiree contributions and investments projected at \$384 million, the health care plan would experience a funding gap of \$213 million. The Health Care Advocates for STRS recommendations will provide \$230 million in savings to close this gap.

As part of the resolution of the emerging health care crisis, the changes previously proposed to the Board in the health care plan design will shift significant and burdensome costs to retirees. That result conflicts with the Board's Guiding Principles for the Ohio Health Care Program that, STRS will "Provide a quality health care program that is stable, cost effective and meets enrollee's needs while protecting pension assets." Therefore, STRS should establish a dedicated revenue stream to help assure the continuation of affordable health care for retirees.

Our recommendations are as follows:

#### I. Health Care Plan Coverage Levels: Recommendations.

Raise deductible to \$500 w/ \$1,500/2,000 out of pocket limits.

(Cost savings to STRS: \$10 million annually)

Raise doctor visit co-pays to \$20 for primary care physician/\$30 specialist. (Cost savings to STRS: \$1 million annually)

Rx drugs - move from co-pay to coinsurance (%) with 3 tiers - generic (10%), formulary (25%), and non-formulary (35%) with a \$75 out of pocket limit per prescription. (Cost savings to STRS: \$10 million annually)

STRS pays 2.5% of premium for each year of service with a hardship provision for lower income career educator retirees. (Cost savings to STRS: \$72 million annually)

#### II. Eligibility: Recommendations.

Increase vesting period for subsidized health care to 15 years for those retiring after January 1, 2003. (No cost savings to STRS in 2004)

Require employers to cover or pay for retirees they rehire. The retiree would not lose benefits upon return to STRS health care. (Cost savings to STRS: \$45 million annually)

### **III. Health Care Plan Administration and Procurement: Recommendations.**

Move to a single plan design with one statewide network administered by one insurance payor/third party administrator. Incorporate the select network within the larger network. Demand best discounts and require the payor to work with providers to implement state of the art centers of excellence, disease management, case management and identify efficient doctors, labs and hospitals in order to offer a low cost, high quality network. Renegotiate fee schedules and engage providers. Incorporate prospective healthcare programs. Explore expansion of the pool for Rx coverage to include district plans covering active employees. Carve out mental health and contract for managed care with an EAP gatekeeper. Explore pooling for overall coverage with other retirement systems and active public employees.

### **IV. Assess and enhance the medical management capabilities of the STRS staff: Recommendations.**

Bolster STRS health care benefits staff with a medical director (MD) and a pharmaceutical specialist. Assess the STRS staffing plan using the CalPERS model. If the review indicates the need for additional capacity, add or reallocate staff and/or establish a temporary team to assist with the transition process to an insured plan.

### **V. Financing: Recommendations.**

Restore additional 1% of current employer contribution to HCSF. Slow down the plan to reduce the amortization period. (Revenue shifted to health care: \$88 million) Establish by STRS Board policy a dedicated, predictable and stable revenue stream for health care. Review the investment strategy for the HCSF and the 10-year funding period to reflect the new operational requirements. Help educators prepare for the costs of health care in retirement through Retiree Medical Accounts as a supplement to subsidized health care. Establish individual health care accounts for each eligible member of the system just as is currently done for the pension benefit.

### **VI. Reforming Health Care: Recommendations**

With over 100,000 retirees and 179,000 active members STRS is a major force in the purchasing of health care services in Ohio. We encourage STRS to take a leadership role at the state and national level to drive much-needed health care reforms.

For full presentation please go to our website at:  
[www.wsu.edu/admin/aaup/STRS-presentation.pdf](http://www.wsu.edu/admin/aaup/STRS-presentation.pdf)

### **FALL RECEPTION**

Mark your calendars now for Friday, September 19, 5:00 p.m. As part of our 2003 Fall membership campaign, the WSU/AAUP Chapter will be hosting a reception to welcome and recruit new faculty members and to thank current members for their support. Food and beverages will be provided.

### **AAUP SUMMER INSTITUTE**

The WSU/AAUP Executive Committee extends an invitation to AAUP members to attend AAUP's Summer Institute from July 24 to 27, 2003. This year it will be held at the University of New Mexico in Albuquerque. The Institute is designed to enhance faculty skills in contract negotiations, reviewing and amending handbooks, researching institutional budgets, lobbying state governments, among other things. Those who have attended the Institute can attest to the fact that it is both an invaluable training opportunity and great way to learn about the national work of AAUP. It's also fun. Reportedly you can sing, eat and dance the night away. For further information contact Connie Jacobs at X3608.

### **COLLEGE LIAISONS**

In response to a suggestion by one of our members, the WSU/AAUP Executive Committee would like to introduce the concept of "college liaisons." A college liaison is someone who will act as a liaison between Bargaining Unit Faculty Members at the college level and the Executive Committee. The purpose is to provide Bargaining Unit Faculty Members with a more direct avenue for expressing issues of concern. We envision offering training sessions on contract-related issues for college liaisons each quarter. This will also have the added effect of keeping the Executive Committee informed on issues of immediate concern, and will help pave the way for future contract negotiations. How the "college liaisons" will be chosen, what their specific roles will entail, etc. will be discussed at the next membership meeting in May.

### **NOTES FROM NATIONAL OFFICE OF AAUP**

Dr. Ameen Rihani, Vice President of Sponsored Research and Development of Notre Dame University in Lebanon, seeks to compile a roster of university professors of Lebanese lineage. The purpose of the compilation is to invite these professors to identify themselves and their fields of study, to participate in related conferences and research projects, to lecture at NDU-Lebanon, and to obtain their relevant research and publications. Interested persons may contact Guita G. Hourani, Researcher, Notre Dame University ([ghourani@ndu.edu.lb](mailto:ghourani@ndu.edu.lb)).

The editor of a book entitled Top Careers for Business Majors is seeking to identify professors of business who would be willing to be interviewed for the book. The book describes 40 careers in detail, and includes job outlooks, earnings, requirements, and other information about careers, plus interviews with educators and other professionals working in the field. Interview questions cover faculty and student expectations, important personal and professional qualities in a business major, advice for graduates, changes in the job market, and similar topics. Interested persons may contact Nora Walsh at Ferguson Publishing Company in Chicago at (312)692-1000 x193 ([nwalsh@standardeducational.com](mailto:nwalsh@standardeducational.com)).

Cross Cultural Solutions invites faculty and student participation in meaningful community work around the world, fostering cultural understanding at the grassroots level, through its 2-12 week international volunteer programs. The group sends thousands of volunteers overseas every year to work in sustainable community development in Brazil, China, Costa Rica, Ghana, Guatemala, India, Peru, Russia, Thailand, and Tanzania. To learn more call 1-800-380-4777 or contact [info@crossculturalsolutions.org/edu](mailto:info@crossculturalsolutions.org/edu).